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SIPDIS

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SUBJECT: FIELD-LEVEL IMPLEMENTATION OF ITALY'S
ANTI-TERRORISM FINANCE CONTROLS

REF: A. A) ROME 3479 (NOTAL)

[1](#)B. B) 04 MILAN 477

Classified By: Classified by Consul General Deborah Graze for reasons 1

.5 (b) and (d).

[1](#)1. (C) Summary: Further to reftels, in recent follow-up meetings, our contacts reiterated that Muslim extremists in Italy are not using the official banking and formal money transfer systems. The formal financial sector appears to be actively implementing Italian legal controls. Law enforcement and magistrates are grappling with how best to investigate informal means of transferring funds, often smaller amounts carried by a trusted member of the group (pocket transfers). These investigations are often further complicated by the lack of cooperation by authorities in the destination country. One banker complained of the lack of central coordination of the various lists of names (e.g. UNSC 1267 Committee, EU, OFAC). Further, while reconfirming the bank's eagerness to cooperate fully with authorities, he expressed frustration that banks are increasingly being asked to do law enforcement work. End Summary.

Informal Market Remains a Concern

[1](#)2. (SBU) Reftel B reported meetings Congen Milan held summer 2004 with banking contacts and money transfer operators to discuss implementing anti-terrorism finance controls. Econoff recently conducted similar meetings on developments this past year. Everyone with whom we spoke (bankers, money transfer operators, law enforcement and judicial authorities) was confident that the current controls have disrupted financial flows through the formal sector to support extremist activities. However, many thought that extremists now use alternative transfer methods, which are more difficult to detect and control.

[1](#)3. (C) As Luigi Orsi, an investigative magistrate in Milan specializing in terrorism finance cases explained, "the more primitive the approach, the more difficult it becomes to detect," adding that his investigations show "almost nothing" transferred through official banking channels. Contacts at Western Union told of "known" immigrant bus drivers who carry cash to Eastern Europe for a fee, although Western Union noted that this system provides no security for the sender. Guardia di Finanza (financial police) and magistrate contacts explained that the current preferred method to transfer funds is via trusted individuals and personal contacts serving as couriers. If extremists are attempting to use official channels, it is usually to send small amounts for personal reasons, mainly to family members back home, our interlocutors said.

Banks Feeling the Burden

[1](#)4. (C) Emmanuele Difenza, Director of Banca Intesa's Anti-Money Laundering Office was optimistic that almost all major European banks are "on the same wavelength" regarding terrorism finance controls. He also reported that Banca Intesa bases its controls on the U.S. laws and regulations to ensure that its branch in New York is in compliance. While he thought that controls are working well, Difenza expressed frustration at not having a central coordination body to manage all anti-terrorism finance lists. He noted in addition to the EU list, his office monitors the OFAC list, UN lists and local lists from Italian authorities with names of individuals currently under investigation for connections to someone on any other existing list. Although the names on this last list are not public to safeguard investigations, he gave Ahmed Nasreddin's personal secretary as an example of the type of individual on the list.

[1](#)5. (C) Difenza complained that banks are increasingly asked to be responsible for things unrelated to banking -- such as verifying customers, identity and detecting false documents. Banks are "more than happy" to cooperate, but such tasks he feels ought to be law enforcement responsibility. He gave the hypothetical of a young bank teller facing an individual

whose name is on a list. Does the teller ask the individual to return later? Or, send the customer away, perhaps revealing to the individual that he/she may be under SUBJECT: FIELD-LEVEL IMPLEMENTATION OF ITALY,S investigation? Such situations require specialized training, best left to the police, Difenza argued.
Notifications -- Quality Not Quantity

16. (C) As reported reftel B, Western Union enjoys almost 70 percent of the official money transfer market in Italy. General Counsel Paulo Zadra predicted that the number of "suspect transactions" notified to the Ufficio Italiano Cambi (UIC) in Rome this year would likely be the same, or slightly higher, than last year. In 2004, Western Union notified 120 suspect transactions, including 13 names from the UIC's terrorism blacklist, 31 for frequent transactions and 17 for false documents. He noted that in the past it took months, or longer, for the UIC to follow-up with Western Union on suspicious transaction reports; now the contact is almost immediate. Other Consulate contacts predicted that the number of notifications to Rome would remain constant, but that their "quality" would improve, as financial institutions gain more experience with the notification process.

Comment

17. (C) The quick follow-up time by the UIC to entities reporting suspect transactions is a positive development. The IMF found in its recent detailed assessment Italy,s anti-money laundering and TF regime that the UIC did insufficient filtering of the suspect transaction reports that it receives. The IMF contended that this filtering deficit did not allow for immediate feedback to reporting entities. End Comment.

Can't Track the Funds at the Destination

18. (C) Milan magistrate Orsi confided to Econoff that one of his greatest challenges is tracing funds to their destination. Unlike the official banking system that leaves formal traces and is under official oversight, investigation of possible funds coming through informal channels requires more coordination and cooperation with local authorities in the countries to which the funds are sent. Orsi lamented that investigations in one of his current cases show that extremist funds are being funneled into Algeria, but lack of cooperation by Algerian authorities has caused his investigation to come to a standstill.

Rome Comment: Is Orsi Nudging USG?

19. (S) Orsi,s lament about lack of cooperation may have also been a gentle nudge for U.S. assistance in his investigation of Ahmed Nasreddin, listed on the UN 1267 Committee list. Senior Finance Ministry officials told U/S Levey that Orsi,s investigation had not yet turned up clear ties within Italy between Nasreddin and TF. Orsi has channeled his informal request for additional information usable to build a legal case to the Financial Security Committee or FSC (Italy,s PCC equivalent). The head of the FSC passed on Orsi,s request to Treasury U/S Levey. End Rome Comment.

Encouraging Immigrants to Use Official Channels

110. (C) Director of International Affairs for San Paolo Bank in Turin, Giuseppe Cuccurese, briefed Econoff on a new San Paolo Bank pilot project to create "multi-ethnic points" in select branches in cities with large immigrant populations. The first such point was opened in Turin, and a second is planned for Naples. Multi-cultural points will offer information and forms in several languages (including Arabic). The eventual goal is to have bank employees who speak prospective customers, languages. While Cuccurese admitted attracting new customers was the key motivation, a second objective, which Cuccurese says has MFA and Italian Banking Association support, is encouraging immigrant,s to use the official banking system, rather than unregulated parallel systems.
GRAZE